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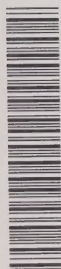


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An Introductory Guide to Human Resources Planning





**Ontario
Ministry of
Labour**

**Ontario
Manpower
Commission**

500 University Avenue
Toronto, Ontario
M7A 1T7
(416) 965-2820

An Introductory Guide to Human

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**Employment and
Immigration Canada**

Resources

Ontario Regional Office
4900 Yonge Street
Suite 700
Willowdale, Ontario
M2N 6A8
(416) 224-4888

Planning

Labour Market Research Group
Ontario Manpower Commission

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Introduction

This pamphlet is designed as an introduction to the concept of human resources (or manpower) planning and to the type of processes you can use in human resources planning in your organization. The material in this pamphlet can be used for an elementary human resources planning exercise in your organization, or it can be used to lead into a more detailed planning process using the *Human Resources Planning Manual* which is available from the Ontario Manpower Commission.

Why plan?

We all plan to some extent, whether drawing up a grocery list or the blueprints for a new factory. In our rapidly changing environment, the future is too uncertain to face without some direction or forward thinking.

Planning:

- establishes a framework for rational decision-making consistent with organizational goals and objectives
- focuses analytical thinking on the formation and the evaluation of alternatives
- replaces “crisis”-style management with decision-making flexibility by developing an “action”-orientation rather than a “reaction”-orientation
- helps the organization adapt to change in an organized manner
- increases the chances of success, by focusing on results, as well as activities

Why plan human resources?

Most organizations realize the value of planning or budgeting for the material resources needed for production processes and other business operations. But human resources planning is regarded as by many managers as an unnecessary, unprofitable or even impossible activity.

However, your human resources are:

- a long-term income-generating element of production (somebody has to run the machines)
- a major cost or investment item (how much does your company spend directly on salaries, benefits, recruiting, training, etc.? How much does it lose indirectly through lost production due to turnover and absenteeism?)
- possibly a scarce resource needing careful development (witness the present and anticipated shortages of skilled tradesmen)

In short, you need to plan your human resources just as carefully as you plan your production operations or your finances. Indeed, human resources planning is closely linked to other plans taking shape within the organization, and should be undertaken as an integral part of your corporate planning process.

Benefits of human resources planning

Direct benefits:

Human resources planning will allow you to:

- identify your future human resource requirements
 - identify the potential of your existing human resources
 - formulate short- and long-term approaches to the development of human resources through skill upgrading and training;
- so that appropriate and consistent action can be taken to ensure that your company has the right kinds and right numbers of workers to meet its future production requirements.

Indirect benefits:

Other benefits of human resources planning can include:

- better human resources utilization through
 - turnover analysis
 - evaluation of training programmes
 - more effective recruitment and the like
 - the simple analytical process of human resources planning may bring other manpower-related problems to light at a time when these problems are more amenable to correction . . .
- which in turn can lead to the implementation of programmes resulting in:
- increased job satisfaction (particularly when a programme of individual career counselling and development is linked to human resources planning)
 - reduced absenteeism and increased organizational productivity

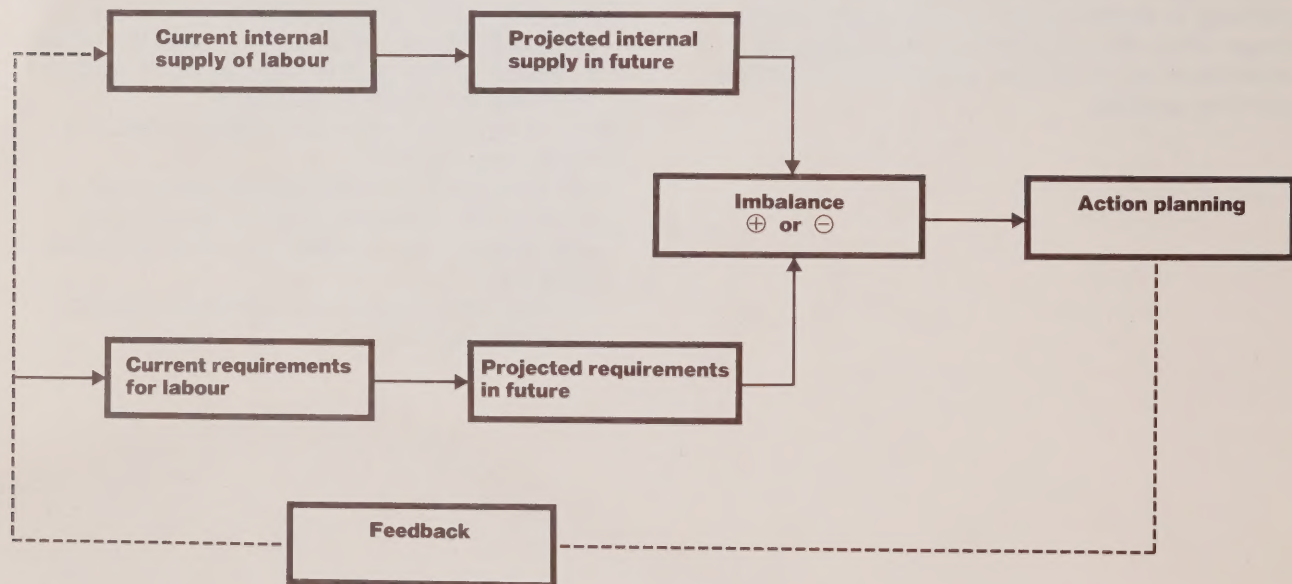
What is human resources planning?

Human resources planning is often defined as:

"A process concerned with providing the right number and kinds of people, at the right place, at the right time, doing things which help to fulfill company as well as individual objectives"

Human resources planning can also be considered in terms of the economist's concept of supply and demand. Quite simply, the planner attempts, through the human resources planning process, to establish an equilibrium or balance between his future demand for different types of labour and his anticipated supply of labour.

Human resources planning process



How to begin human resources planning

In your own organization, the human resources planning process (as illustrated on the opposite page) becomes basically a matter of:

- projecting your manpower requirements as indicated by your business operations and future business plans;
- comparing these projections of manpower required with projections of the manpower available within your company; and
- formulating action plans to correct any imbalances between the two sets of projections.


In effect, this translates at the simplest level into a straightforward four-step process, which is illustrated in the foldout summary chart located after page 14. Each step in the process, and its accompanying segment of the summary chart, is explained in a bit more detail in the following pages. . .


Step 1

In the human resources planning process

Current production or customer service operations, business plans and their manpower requirements

Step 1:

Production/customer service: present				
What products or customer services do you currently sell?	What are your sales of each? (\$'000s or units)		Summarize the types of occupations of workers you need for your production service	How many workers in each are needed?

 Your future requirements for production/customer service personnel will be influenced by such business planning factors as:
 -change in output volume
 -change in product/service mix
 -introduction of new processes and equipment

So, you will need to set down your business plans before you look at your human resource requirements

- in this step, manpower requirements for your revenue-generating business operations (usually production of goods or some type of customer service) are determined
- because manpower requirements will vary with the output of products/customer services, your output must be considered alongside your labour input. You may also wish to examine how your labour input has varied with output over the past few years
- first examine your present situation (above) in terms of products/service output and labour input required
- when considering labour input, remember that staffing levels and the mix of skills or occupations required may well change from product to product: thus, you should examine individual products/services or groups of products/services with similar types and amounts of labour input

Planned/projected												
What products/customer services do you plan to sell in the next 5 years?	What sales levels do you plan to reach (\$'000s or units)						Summarize the types of occupations you will require for this planned production/service	How many workers in each occupation will you require?				
	1st yr.	2nd yr.	3rd yr.	4th yr.	5th yr.			1st yr.	2nd yr.	3rd yr.	4th yr.	5th yr.

Transfer requirements for each occupation for matching against available internal supply.



To Step 4


- next, outline your projected future revenue-generating operations (above)
- consider how the following elements of your business plan affect manpower requirements
 - change in output volume
 - change in product/service mix, including the introduction of new product/service lines and the cancellation of old lines
 - introduction of new work processes or new equipment
- again, you should consider proposed product/service output alongside labour input, and you should also consider the mix of skills required by each individual product/service

Step 2

In the human resources planning process

Current administrative or support functions, planned future functions and their manpower requirements

Step 2:

Administrative/support functions: present			
What administrative/support functions are currently provided within your company?		Summarize the types of occupations of workers you require for these functions	How many workers in each are needed?



Your requirements for administrative/support personnel will be influenced by planning factors such as:

- change in number of production/service or total personnel
- new process or equipment
- contracting out of functions

Once again, you will have to set down your plans before looking at your human resource requirements

- in this step, manpower requirements for your administrative or support functions (those activities not *directly* involved in the production of goods or services for sale to a customer) are examined
- administrative functions might include finance, payroll, marketing, personnel, warehousing etc.; and support functions might include research, development, design, quality control, etc.
- first, you examine your present situation in terms of functions provided in your company and labour input required (above)
- as in the case of product/customer service manpower requirements, staffing levels and skill or occupational mix may vary from function to function; so you should examine individual functions or groups of related functions.

Planned/projected

What administrative/support functions do you plan to provide in the next 5 years?	In which year will they be provided?					Summarize the types of occupations you will require for these functions	How many workers in each occupation will you require?				
	1st yr.	2nd yr.	3rd yr.	4th yr.	5th yr.		1st yr.	2nd yr.	3rd yr.	4th yr.	5th yr.

Transfer for matching

**To Step 4**

- next, examine your projected future administrative/support functions (above)
- manpower requirements for *some* of these functions (like quality control or sales staff) may vary with changes in product/service output. Others (like clerical staff) may vary irregularly, while others (like custodial or maintenance staff) may remain relatively constant. Examine your company's administrative/support functions to see which model best fits your functions.
- consider how the following elements of your functions planning will affect manpower requirements:
 - changes in the number of personnel served by the function
 - introduction of new work processes or equipment
 - contracting out of some functions

Step 3

In the human resources planning process

Current workforce and manpower available internally

Step 3:

Current workforce	
Which occupations do you currently employ?	How many workers do you employ?



Your current workforce will probably change over the planning period as you lose people to retirement, transfers, death, etc.

- in this step, you determine the number of people available internally to meet your requirements over the planning period
- first, you examine the nature of your current workforce (above)
- because your requirements are occupationally based, your examination of internal labour supply or workforce available should also be occupationally based

- it is very unlikely that your workforce will remain entirely stable over your planning period
- therefore, determine the manpower available to you over your planning period (above) by considering the effect of such attrition factors as:
 - quits
 - deaths
 - terminations
 - transfers out
 - retirements
 - promotions out
- remember, the projection of manpower available is occupationally based: if, for example, you promote a welder to a supervisory position, you have lost one welder. Although you still employ that person, who still has the skills of a welder, you are no longer employing that person as a welder

Step 4
In the human resources planning process
Matching and action planning

Step 4:

From Step 3

Matching															
List occupations required and employed	Human resources available internally over the next five years					Human resources required over the next five years					Will you have a surplus or a shortage in each occupation? (subtract requirements from supply)				
	1st yr.	2nd yr.	3rd yr.	4th yr.	5th yr.	1st yr.	2nd yr.	3rd yr.	4th yr.	5th yr.	1st yr.	2nd yr.	3rd yr.	4th yr.	5th yr.

From Steps 1 and 2

- in this step, projected manpower requirements are matched against projected manpower supply and action plans to correct any imbalances are made
- first, you go through a simple matching process (above)
- requirements by occupation are transferred from Steps 1 and 2; supply by occupation is transferred from Step 3
- manpower required is subtracted from manpower available:
 - a positive number indicates a projected surplus in that occupation
 - a negative number indicates a projected shortage

If you project mismatches, in any occupation, you can start planning training and development activities to correct these imbalances

Action planning														
How many people each year will you train or upgrade for each occupation?					How many people each year will you hire externally for each occupation?					How many people each year will you promote or transfer into each occupation?				
1st yr.	2nd yr.	3rd yr.	4th yr.	5th yr.	1st yr.	2nd yr.	3rd yr.	4th yr.	5th yr.	1st yr.	2nd yr.	3rd yr.	4th yr.	5th yr.

- next, action plans to correct these imbalances (either shortages or surpluses) can be formulated
- by examining the potential of your current workforce, you can develop plans for the training, development or upgrading of current employees to fill projected vacancies in occupations with higher or different skill levels: you may wish to develop a skills inventory to help identify candidates for development, transfer, or promotion among your current workforce

What to do next

Having examined the foregoing outline of the concepts of human resources planning and the kind of process used to actually carry out human resources planning, you may wish to work through the summary chart using data from your organization. The summary chart can be used as a complete planning instrument, particularly if your workforce is small, or if you wish to develop preliminary estimates only.

However, if you wish to analyze or quantify any aspect of the process in greater detail, you should refer to the *Human Resources Planning Manual*, which is also available from the Ontario Manpower Commission. The Manual contains the various planning schedules referred to in the summary chart.

These schedules can be used to supplement or replace the summary chart at any, or all, steps in the planning process. In this case, the summary chart can be used to collect the data from the

various planning schedules and as a reference to the appropriate planning schedules for each segment of the process.

Human resources planning will not by itself resolve your manpower problems. It does, however, provide a basic process to pinpoint manpower problems and to provide guidance so that those problems can be addressed in a rational, business-like manner. The planning exercise can take a considerable amount of time and effort, especially if you use a lot of planning schedules. Nonetheless, companies implementing a meaningful HRP programme have found that HRP's benefits far outweigh its costs. We are confident that you will also find HRP to be a very beneficial exercise.

For further information about human resources planning, clip coupon and return to:

Labour Market Research Group
Ontario Manpower Commission
 500 University Avenue
 Toronto, Ontario
 M7A 1T7

or to:

Labour Market Planning Section
Ontario Regional Office
Employment and Immigration Canada
 4900 Yonge Street, Suite 700
 Willowdale, Ontario, M2N 6A8

I am interested in beginning a detailed human resources planning activity in my organization. Please send me a copy of your *Human Resources Planning Manual*.

Name

Title


Telephone no.


Company name

Address


Postal code


Step 1:


Production/customer service: present				
What products or customer services do you currently sell?	What are your sales of each? (\$ 000s or units)	 <p>You can examine the relationship between individual products/customer services and their current employment requirements using Schedule 1</p>	Summarize the types of occupations of workers you need for your production service	How many workers in each are needed?


 Your future requirements for production/customer service personnel will be influenced by such business planning factors as:
 -change in output volume
 -change in product/service mix
 -introduction of new processes and equipment
 So, you will need to set down your business plans before you look at your human resource requirements

Step 2:

Administrative/support functions: present			
What administrative/support functions are currently provided within your company?	 <p>You can examine individual administrative/support functions in greater detail using Schedule 3</p>	Summarize the types of occupations of workers you require for these functions	How many workers in each are needed?



 Your requirements for administrative/support personnel will be influenced by planning factors such as:
 -change in number of production service or total personnel
 -new process or equipment
 -contracting out of functions
 Once again, you will have to set down your plans before looking at your human resource requirements

Planned/projected												
What products/customer services do you plan to sell in the next 5 years?	What sales levels do you plan to reach (\$ 000s or units)					 You can project manpower requirements by occupation for individual products/customer services using Schedule 2. For multi-year planning, complete a separate schedule for each year of the planning period.	Summarize the types of occupations you will require for this planned production/service	How many workers in each occupation will you require?				
	1st yr	2nd yr	3rd yr	4th yr	5th yr			1st yr	2nd yr	3rd yr	4th yr	5th yr

Transfer requirements for each occupation for matching against available internal supply



To Step 4

Planned/projected												
What administrative/support functions do you plan to provide in the next 5 years?	In which year will they be provided?					 You can estimate or project manpower requirements for individual planned functions using Schedule 3.	Summarize the types of occupations you will require for these functions	How many workers in each occupation will you require?				
	1st yr	2nd yr	3rd yr	4th yr	5th yr			1st yr	2nd yr	3rd yr	4th yr	5th yr


Transfer for matching



To Step 4



Step 3:

Current workforce		
Which occupations do you currently employ?	 <p>You can record current employment and employee movements on Schedule 4. If you have many employees approaching retirement, you can examine current age distribution using Schedule 5</p>	How many workers do you employ?

Your current workforce will probably change over the planning period as you lose people to retirement, transfers, death, etc.

You can estimate or project these losses using Schedule 6 or project them in greater detail using Schedule 7

Manpower available over planning period					
How many of your current workforce in each occupation will remain in each of the next five years?					
1st yr.	2nd yr.	3rd yr.	4th yr.	5th yr.	

Transfer for matching

 **To Step 4**

Step 4:

 **From Step 3**

Matching and action planning															
List occupations required and employed	Human resources available internally over the next five years					Human resources required over the next five years					Will you have a surplus or a shortage in each occupation? (subtract requirements from supply)				
	1st yr.	2nd yr.	3rd yr.	4th yr.	5th yr.	1st yr.	2nd yr.	3rd yr.	4th yr.	5th yr.	1st yr.	2nd yr.	3rd yr.	4th yr.	5th yr.

Matching can be performed in more detail on Schedule 8. If you project mismatches, in any occupation, you can start planning training and development activities using Schedule 9

 **From Steps 1 and 2** 

Human resources planning process

How many people each year will you train or upgrade for each occupation?					How many people each year will you hire externally for each occupation?					How many people each year will you promote or transfer into each occupation?				
1st yr.	2nd yr.	3rd yr.	4th yr.	5th yr.	1st yr.	2nd yr.	3rd yr.	4th yr.	5th yr.	1st yr.	2nd yr.	3rd yr.	4th yr.	5th yr.

